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National Intelligence Bulletin

State Dept. review completed

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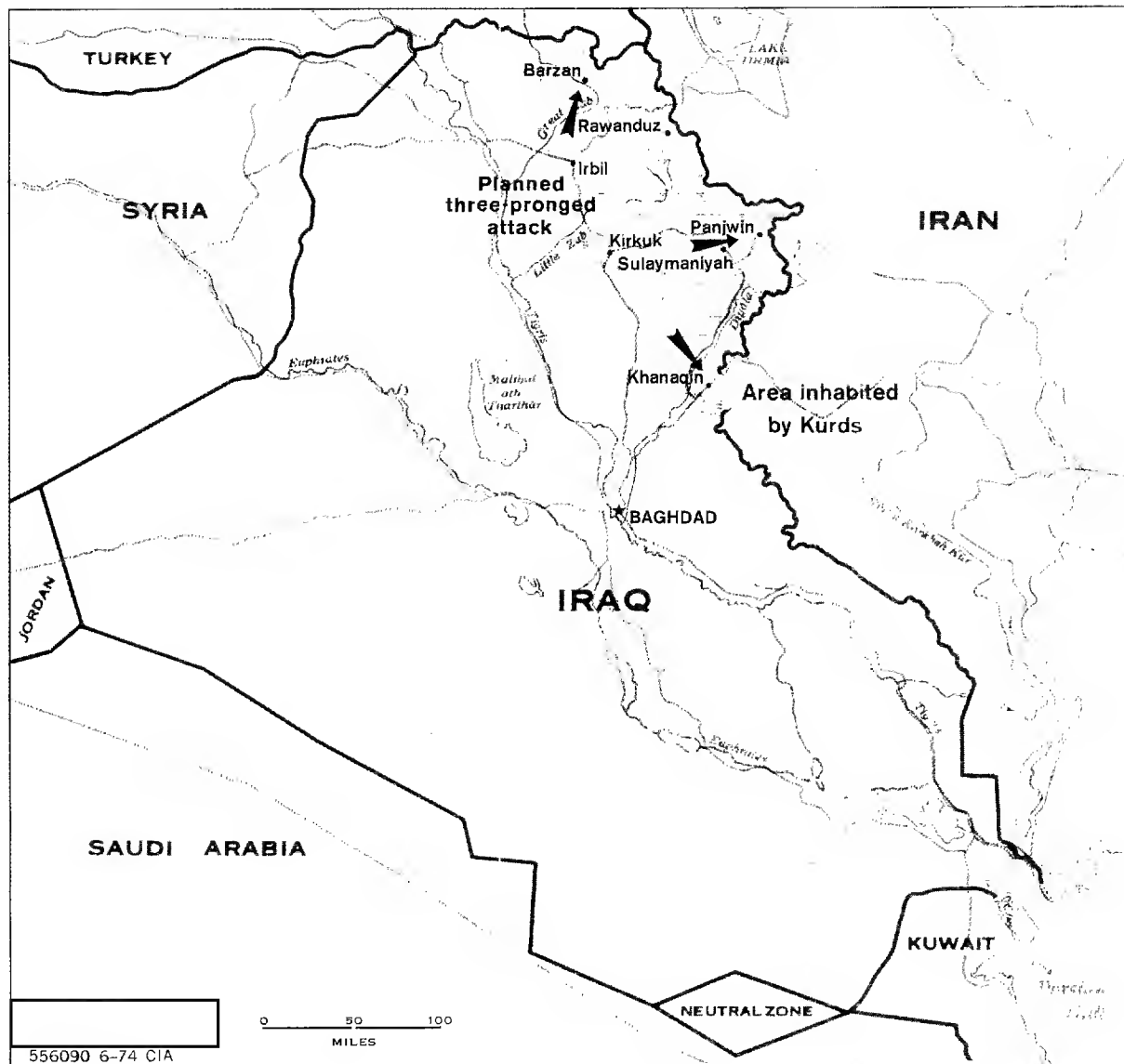
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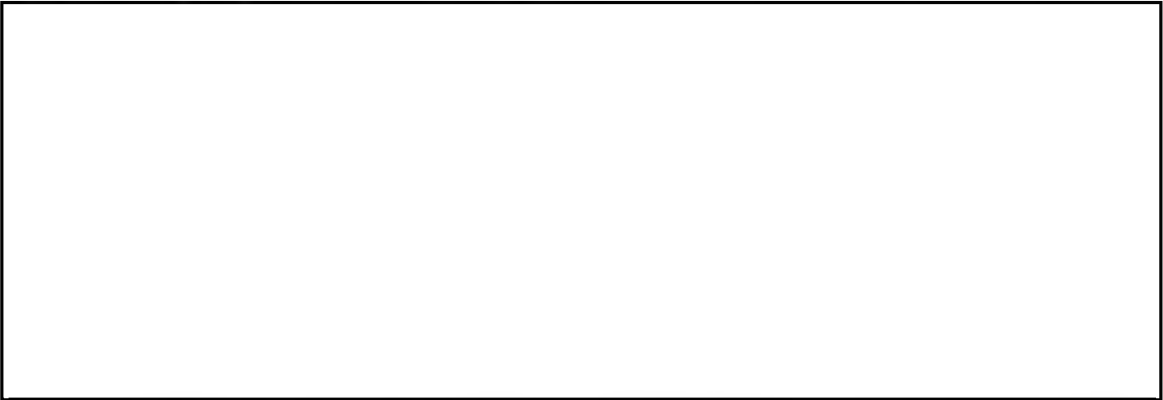


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IRAQ

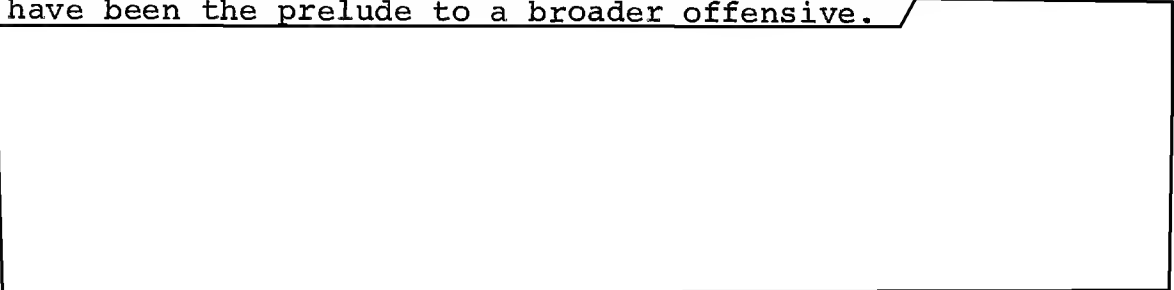
The army may have launched a major drive against the Kurds aimed at cutting rebel supply lines with Iran and isolating areas where large numbers of Kurdish fighters are located.



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Tehran is concerned that fighting in the Panjwin area might spill over into Iran, raising the danger of clashes between Iranian and Iraqi forces. The two sides reportedly exchanged fire for several hours on June 21 south of Khanaqin.

The Iraqi army began an attempt last week to capture the strategic heights east of Sulaymaniyah, in what may have been the prelude to a broader offensive.



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Baghdad has long viewed Iran as the primary source of Kurdish military supplies and the main pipeline for supplies from other sources, and it has appealed to Tehran to cut them off. The Iraqi army has been trying for over a month to gain control of the main road to Iran north-east of Rawanduz. Largely because of the mountainous

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terrain, it has failed to sever this important link in the Kurds' supply line, despite heavy bombing and artillery fire.



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The regime's concentration on the Kurdish situation is causing other domestic problems. There continues to be considerable speculation among political observers in Baghdad that differences are intensifying in the Baathist regime, largely over how to deal with the Kurdish rebels.



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JORDAN

In a recent press interview, King Husayn made public his threat not to participate in the Geneva peace talks unless a Jordanian-Israeli disengagement accord is worked out. The King insisted that Israel would have to pull back a "reasonable depth" from the Jordan River as a prerequisite for Jordanian participation at Geneva, and that ultimately the Israelis would have to withdraw from the Arab portion of Jerusalem. Only then, he added, could a referendum be held on the West Bank to decide its future.

Husayn indicated that Jordan, Egypt, and Syria would also have to come up with a coordinated negotiating strategy before the Geneva conference reconvenes. By publicly threatening to boycott the talks and insisting on a coordinated Arab position, Husayn hopes to force Egypt and Syria to support his efforts to get Jordanian-Israeli disengagement negotiations under way. He also hopes to spur the Israelis to be more responsive to his proposals.

The King reiterated that he had no objection to PLO attendance at the Geneva talks. He seemed to take a slightly harder position than previously, however, on the respective roles Jordan and the PLO should play. Husayn repeated his offer to step aside in favor of the fedayeen-controlled organization if that is the wish of the other Arab states. Otherwise, he said, the Palestinian group's mandate should be limited to handling the vaguely defined question of "Palestinian rights," while Jordan negotiated the return of the West Bank and East Jerusalem to Arab hands.

The Israelis apparently are still wrestling with the question of how and when to begin negotiations with Amman. Tel Aviv prefers to delay any withdrawal from the Jordan River. The government would probably be forced to call national elections to ratify West Bank territorial concessions, and Prime Minister Rabin's Labor Alignment is fearful of an electoral setback. Rabin also prefers to conclude an additional agreement with Egypt before proceeding with Amman, although he may agree to start negotiations with Jordan before such an agreement with Cairo is actually signed. [REDACTED]

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ITALY

The Italian political scene remains tense in the wake of the accord on economic issues reached by the four center-left parties last week. Prime Minister Rumor will probably secure parliamentary approval of the government's austerity program--debate opens today--but lingering dissension within the coalition and labor's reservations could imperil implementation of the program.

The Socialist Party, still confident as a result of its gains in the Sardinian regional election last week, will drive a hard bargain in the implementation phase. The Socialist Party directorate this week approved the government program but strongly implied that approval was based on the assumption that the Communist Party and labor unions will be consulted as the measures are implemented. Negotiations on the government's program were endangered last week when the Socialists initially took the position that these consultations be formalized.

The small but influential Republican Party has characterized the agreement as "only a partial solution" to the country's problems. Republican leaders indicated that they already see a need for further political and economic "clarification" in September.

The dominant Christian Democratic Party, meanwhile, is in a state of ferment over the leadership of Amintore Fanfani and the policies he represents. The party's left wing appears to be gathering support for its view that Fanfani's policies are responsible for the Christian Democratic defeats in the divorce referendum and the Sardinian elections. The left wing is expected to challenge his leadership and try to shift party policies leftward at the national council meeting next month.

Even if Rumor secures parliamentary approval for the austerity program, he will still have to sell it to organized labor in meetings later this month. The program will not work without labor's acquiescence, and the

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unions have indicated that they will not go along if it appears the austerity measures will lead to greater unemployment and more inflation. Some of the unions may join the Socialists in calling for a Communist voice in the implementation of the program.

The Communists are also divided over how best to capitalize on the Christian Democrats' weakened position. Several major Communist leaders think the party should try to bring down the Rumor government--a development they believe would lead ultimately to the replacement of Fanfani by a leader more sympathetic to cooperation with the Communist Party. Others hesitate to push the Christian Democrats too hard, however, fearing that such tactics could lead them to close ranks against the Communists.

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CHINA

Peking, apparently concerned about the approaching harvest, is buying record amounts of grain.

Peking has contracted for a total of 9.4 million tons of grain for delivery this year, including 3 million tons of US wheat and 1.1 million tons of US corn. Last year it imported 7.5 million tons of grain, 4.1 million tons of which were of US origin.

Yesterday the Canadian Wheat Board announced the sale to China of some 2 million tons of wheat--worth \$350 million. This is Canada's largest wheat sale since 1972. One of the two contracts covering this sale is supplementary to contracts anticipated in the three-year sales agreement reached last October. The Canadian official who announced the sale indicated that delivery will begin in July and be concluded before the end of the year.

China has also signed a purchase contract for 600,000 tons of US wheat, presumably for delivery beginning next month. This contract follows an agreement with at least three traders to resume US wheat shipments that had been stalled for several months.

A small portion of the grain China is buying may be diverted to North Vietnam and Albania.

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North Vietnamese food imports are already running at record levels, and Hanoi should be able to satisfy its minimum needs until rice is available from its spring crop. That crop should be reaching the markets in the next few weeks, but the outlook is for a poor harvest.

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PANAMA

General Torrijos is attempting to maintain a favorable atmosphere for the substantive phase of the canal treaty negotiations, which are scheduled to begin in Panama this week. The regime has avoided a public response to criticism by some private groups of the joint statement of principles signed by the US and Panama earlier this year. Recent press coverage of the canal issue also has been moderate, an obvious reflection of the government's desire to avoid sensationalism.

Panamanian officials are anxious to get the substantive phase well under way while Torrijos' popularity gives him some flexibility in his negotiating position. But-tressed by many expressions of solidarity from other Latin American leaders, Panama's negotiators appear confident that they can achieve significant progress.

At the same time, Panama is attempting to maintain a certain amount of pressure on the US in international meetings by statements emphasizing Panama's sovereign rights. This strategem appears designed mainly to dispel any thoughts that the Panamanians are negotiating from a position of weakness. [REDACTED]

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KOREA-JAPAN

Military attachés of South Korea and Japan indicate that their countries have scheduled a conference of army representatives in Tokyo next September. Joint staff, air, and navy representatives from both countries are to meet between September and February.

Each side apparently hopes to utilize the meetings to exchange intelligence and discuss the North Korean military situation.

The attachés of both countries have acknowledged the plans for the meetings to US military officials, but they do not want word of the conference to become widespread. This desire for secrecy results from the current strain in political relations between Tokyo and Seoul and the likely adverse reaction from a Japanese public highly sensitive to connotations of an expanding military role.

INR believes it highly unlikely that the Japanese government would abandon its long-standing policy of not participating in government-to-government military conferences with countries other than the US. Moreover, the current problems in relations between Japan and South Korea would appear to rule out anything more than low-level, informal meetings of an intelligence-exchange nature, a number of which had taken place until the Kim Tae-chung kidnaping affair.

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PAKISTAN-USSR

Pakistani Prime Minister Bhutto will make an official visit to the USSR beginning on July 8.

In the wake of India's detonation of a nuclear device last month, Bhutto launched a diplomatic campaign to gain big-power guarantees for Pakistan. As part of this strategy, he may seek private assurances from the Soviets that they will attempt to restrain India from creating a nuclear weapons program.

Bhutto is also likely to request clarification of a reference to Pushtunistan in the joint Afghan-Soviet statement that followed Afghan President Daoud's recent visit to the Soviet Union. That reference seemed to imply Moscow's support for negotiations on the Pushtun issue. Pakistan, which regards this subject as an internal problem, has insisted that only "discussions," not "negotiations," are possible with Afghanistan. [REDACTED]

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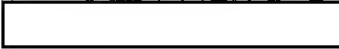
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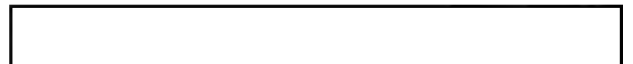
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